

Message Text

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ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 SCCT-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FEAE-00 FPC-01

H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

PRS-01 PA-01 /104 W

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R 052151Z MAR 76

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 2279

INFO AMEMBASSY BOGOTA

AMEMBASSY GEORGETOWN

AMEMBASSY MADRID

AMEMBASSY PORT OF SPAIN

AMEMBASSY BELGRADE

AMCONSUL CURACAO

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E.O. 11652: N/A

TAGS: PGOV PINT PINS PBOR ENRG EFIN VE

SUBJECT: THIS WEEK IN VENEZUELA

SUMMARY. THE NIEHOUS KIDNAPPING DOMINATED THE NEWS. OIL PRODUCTION WAS 2.2 MILLION B/D AT THE END OF FEBRUARY. VENEZUELAN CONGRESS PRESIDENT SAYS CONGRESS SHOULD BE INFORMED OF VENEZUELAN-COLOMBIAN DIFERENDO TALKS. FISCAL REFORM NOT IMMIMENT AFTER ALL. SPANISH MINISTER STATES GOV'S INTEREST IN DIRECT OIL PURCHASES. IRON MINERS UNAGREED ON NEGOTIATING POSITION. RESTRUCTURING OF THE GOV IS UNDER CONSIDERATION. MARSHAL TITO WILL ARRIVE MARCH 17. END SUMMARY.

1. THIS WEEK IN CARACAS. THE BIG NEWS HERE IS THE APPARENTLY POLITICALLY-MOTIVATED KIDNAPPING ON FEBRUARY 27 OF OWENS-LIMITED OFFICIAL USE

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ILLINOIS EXECUTIVE WILLIAM NIEHOUS. A WEEK OF THE KIDNAPPING

TOOK PLACE THE POLICE HAS MADE NO REAL PROGRESS IN LOCATING HIM. OTHERWISE CARACAS RECOVERED FROM THE LONG CARNIVAL WEEKEND AND WITNESSED THE OPENING OF A NEW SESSION OF CONGRESS ON MARCH 3.

2. OIL PRODUCTION INCREASES. THE MINES MINISTRY HAS ANNOUNCED THAT OIL PRODUCTION WAS ABOUT 2.2 MILLION B/D AT THE END OF FEBRUARY, AND THAT THE DAILY AVERAGE SINCE JANUARY 1 WAS 1.85 MILLION B/D. SINCE OIL EXPORTS HAVE REACHED 2 MILLION B/D, REVENUE IS NOW AT THE LEVEL ANTICIPATED IN THE 1976 GOV BUDGET.

3. DIFERENDO WITH COLOMBIA. CONGRESS PRESIDENT GONZALO BARRIOS STATED MARCH 3 THAT BILATERAL TALKS CONCERNING THE VENEZUELAN-COLOMBIAN TERRITORIAL WATERS DISPUTE HAVE GONE ON TOO LONG WITHOUT BRINGING CONGRESS INTO THE PICUTRE. HE INDICATED THAT THE TALKS SEEM TO HAVE REACHED THE POINT WHERE IT WOULD BE ADVISABLE TO TRY OUT A FORMULA. BARRIOS REMINDED THE ADMINISTRATION THAT CONGRESS WILL HAVE TO APPROVE THE FINAL AGREEMENT AND THIS "WOULD HAVE TO REFLECT THE CONSENSUS OF AN ABSOLUTE MAJORITY OF THE PUBLIC."

4. FISCAL REFORM MAY NOT BE IMMINENT. FOLLOWING LAST WEEK'S REPORTS OF IMMINENT FISCAL REFORM, THE GOV BACKPEDALLED THIS WEEK, SAYING THE CABINET HAS YET TO EXAMINE THE PROPOSED LEGISLATION. WHILE THE FIFTH NATIONAL PLAN, WHICH IS TO BE PRESENTED TO CONGRESS NEXT WEEK, WILL CONTAIN SOME REVISION OF CURRENT EXPENDITURES, THIS IS SAID TO BE A MINOR PART OF THE TOTAL REFORM. THE GOV ALSO SAID IMPOSITION OF EXCHANGE CONTROLS WOULD BE INAPPROPRIATE GIVEN THE LEVEL OF VENEZUELA'S FOREIGN EXCHANGE RESERVES.

5. SPANISH COMMERCE MINISTER'S VISIT. MINISTER LEOPOLDO CALVO SOTELO, WHO COMPLETED A 2-DAY VISIT HERE MARCH 2, STATED AFTER MEETING PRESIDENT PEREZ THAT THE GOV WILL "COOPERATE TO THE UTMOST WITH THE NEW SPANISH MONARCHY ON ITS WAY TO DEMOCRACY". CALVO SAID SPANISH EXPORTS TO VENEZUELA INCREASED GREATLY IN 1975 (FOLLOWING A SUCCESSFUL TRADE EXHIBITION) AND NOTED SPAIN'S INTEREST IN DIRECT PURCHASES OF VENEZUELAN OIL. HE INDICATED OFFICIALS OF THE SPANISH STATE PETROLEUM COMPANY WILL COME TO CARACAS TO DISCUSS THE POSSIBLE PURCHASE OF 40,000 B/D.

6. IRON MINERS UNAGREED ON NEGOTIATING POSITION. THE GUAYANA IRON LIMITED OFFICIAL USE

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MINERS UNION (SUTRAHIERRO) IS HAVING DIFFICULTY DRAFTING A NEW LABOR CONTRACT TO PRESENT TO THE CVG. TWO EXPERIENCED AD LABOR OPERATIVES FROM THE CTV, WHICH HAS ASSUMED THE ROLE OF ADVISER TO THE MINE WORKERS, HAVE BEEN SENT TO CIUDAD GUAYANA WITH A DRAFT AGREEMENT. THIS IS PROVOKING LOUD COMPLAINTS FROM OPPOSITION ELEMENTS, PARTICULARLY THE FAR LEFT MIR, WHICH CONTROL A MAJORITY OF THE SUTRAHIERRO EXECUTIVE COUNCIL THAT THE AD IS ATTEMPTING TO CUT THEM OUT AND ASSUME CONTROL OF THE NEGOTIATIONS.

LONG, HARD NEGOTIATIONS WITH MULTIPLE PITFALLS LIE AHEAD WHICH WILL REQUIRE EVERY POLITICAL SKILL AD POSSESSES IF A STRIKE IS TO BE AVOIDED.

7. RESTRUCTURING THE GOVERNMENT. THE CABINET REPORTEDLY IS CONSIDERING A RESTRUCTURING OF THE GOV WHICH WILL INVOLVE THE CREATION OF FIVE NEW MINISTRIES. APPARENTLY CONGRESS WILL BE ASKED THIS YEAR TO APPROVE TWO, YOUTH AND INFORMATION/TOURISM, AND THE OTHERS, CONSERVATION, COMMUNICATIONS/TRANSPORT, AND PHYSICAL EQUIPMENT, IN A LATER SESSION. THE LAST THREE WILL EMERGE FROM EXISTING DIVISIONS OF THE PUBLIC WORKS MINISTRY, WHICH WILL CEASE TO EXIST.

8. TITO VISIT ANNOUNCED. THE GOV HAS ANNOUNCED THAT MARSHAL TITO WILL VISIT VENEZUELA MARCH 17-19.

9. OTHER REPORTING THIS WEEK INCLUDED THE NIEHOUS KIDNAPPING (CARACAS 2339 AND FOLLOWING), DESCRIPTION OF THE BANDERA ROJA TERRORIST ORGANIZATION (CARACAS 2344), MULTILATERAL POLICY MAKING IN THE GOV (CARACAS 2354), POPULATION GROWTH AND FAMILY PLANNING IN VENEZUELA (CARACAS 2518), PRESIDENT PEREZ'S COMMENTS REGARDING THE SECRETARY'S VISITS TO BRAZIL AND VENEZUELA (CARACAS 2563) AND ON BRIBERY OF MULTINATIONAL COMPANIES (CARACAS 2607), U.S. DIRECT INVESTMENTS IN VENEZUELA (CARACAS 2500), ALLEGED BUSINESS IRREGULARITIES (CARACAS 2387), GOV CHOOSES CONSULTANT ON AUTOMOTIVE INDUSTRY EXPANSION PROGRAM (CARACAS 2519), AND VENEZUELAN REACTION TI CIEC COMMISSION MEETINGS (CARACAS 2622).
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